

# MIGRANT Remittances

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## From the Editors

Dear Readers,

In this spring issue we continue to cover the effects of the global economic recession on remittance flows. The newsletter reports on the declining rates in most regions, but it also considers that remittance flows show a counter-cyclical character and that figures on money transfers are affected by changes in measurement techniques and adjusted official figures, such as in the case of Mexico. It also spotlights recent financial and commercial partnerships on mobile remittance products and payment services that involve MTOs and banks. Moreover, new international solidarity as well as market and commercial initiatives are increasingly addressing the role of diaspora groups in transnational development. Our guest notes highlight the importance of transparency and accurate data and information in the global remittance industry. The first offers observations and guidelines for survey data collection on remittances, and suggests how the data informs migration research and development policymaking. The second highlights emerging trends directed at establishing standards and codes of conduct to increase transparency on the cost of sending money.

We welcome feedback and encourage readers to send us information about initiatives and publications of interest.

*Manuel Orozco and Anna Ferro*

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## Worldwide Trends in International Remittances

Highlights on International Flows

### 2008 Remittance Trends<sup>1</sup>

According to the World Bank, global remittance flows amounted to \$305 billion in 2008, an increase of 9 percent from \$281 billion in 2007. The Bank suggests that remittance flows showed a strong counter-cyclical character, maintaining high levels despite the sharp drop in private capital flows to developing countries. For 2008, however, remittances exhibited slowing growth rates in all regions except South Asia.

*Latin America and the Caribbean:* According to the Inter-American Development Bank (IDB), the fourth quarter of 2008 saw the first drop in remittances in nearly a decade. Nevertheless, the \$69.2 billion sent in 2008 represents nearly a 1 percent increase from 2007. In 2008, Latin America received the highest amount of remittances of any region.

Remittances to Honduras reached \$2.7 billion in 2008, a 7.8 percent year-on-year growth. In Guatemala, remittances increased by 4.5 percent year-on-year in 2008, totaling \$4.3 billion. Remittances to Jamaica totalled \$2.0 billion in 2008, a 3.6 percent increase from 2007. In November 2008, remittances fell by 17.3 percent year-on-year, the largest

<sup>1</sup> Please see Research Note Q&A "How is the global economic recession affecting remittances?" in December 2008 issue of Migrant Remittances for more information on remittance trends in 2008.

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	TABLE 1: REMITTANCES QUARTERLY GROWTH YEAR-ON-YEAR Q1 2006 – Q4 2008 (PERCENT)											
	2006				2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Mexico	27.8	21.2	15.2	9.5	3.2	-0.7	4.5	1.2	-2.6	-1.1	-8.2	-2.1
El Salvador	24.6	16.4	12.1	9.2	7.9	7.1	8.0	3.1	6.1	7.1	2.6	-5.4
Guatemala	20.2	21.2	27.4	14.4	11.9	13.3	17.3	14.7	9.8	7.9	6.0	-4.7
Honduras	39.4	42.7	27.6	21.6	7.2	4.9	9.4	4.2	9.3	13.0	6.2	3.3
Nicaragua	13.0	13.2	18.7	8.7	-4.9	7.7	6.4	14.8	21.9	14.0	8.8	0.2
Colombia	17.1	26.8	14.2	12.4	11.0	-2.0	23.2	29.1	20.1	19.2	10.4	-11.6
Ecuador	9.4	17.2	23.4	26.8	3.5	8.5	6.9	3.0	12.3	-7.8	-13.3	-22.0
Jamaica	3.6	7.6	7.4	9.9	7.8	10.0	11.8	13.9	11.8	11.1	4.3	-10.5
Dominican Republic	10.6	18.6	17.6	5.6	18.4	11.1	7.4	9.0	4.5	4.6	4.9	-4.7
Total 9 countries	23	21	17	11	6	3	8	6	4	3	-3	-5

Sources: Central banks of each country. Please note that the information above reflects the most accurate data to date, but that these figures are subject to revision.

monthly decline on record. El Salvador and the Dominican Republic experienced year-on-year growth below 3 percent in 2008: 2.5 (with \$3.8 billion) and 2.1 percent (with \$3.1 billion), respectively. In 2008, remittances to El Salvador represented 18 percent of the country's GDP.

According to the Central Bank of Mexico, remittances to the country experienced a negative 3.6 percent year-on-year growth in 2008 with \$25 billion, the first year-on-year drop on record. Between Q3 and Q4 2008, the Bank of Mexico dramatically adjusted past data dating back several years. As Table 2 shows, the new Q4 2008 data (\$6,160 million) would have resulted in an increase year-on-year and an increase from the previous quarter. However, by adjusting past years' data, Q4 2008 shows a decline year-on-year and a decline from the previous quarter. Much attention has been given to the decrease in remittances to Mexico in the last quarter of 2008, although no clear explanation has been given for the reason why the figures have adjusted. As it stands now, however, changes in measurement techniques and official adjustments appear to explain a significant part of the decline.

*Africa:* According to some estimates, sub-Saharan Africans

received \$20 billion in remittances in 2008 – half of which went to Nigerians. This was a \$1 billion increase from the previous year. Remittances to Kenya grew by 6.6 percent up to \$611 million in 2008, the Central Bank of Kenya reported. However, the growth was slower than the 41 percent rise the previous year, when remittances stood at \$573.6 million. Analysts from the Institute of Economic Affairs attributed the increase to Kenyans in the diaspora sympathizing with the post-election violence and crisis.

*Other regions:*

In 2008, the Philippines received \$16.4 billion in remittances, a 13.7 percent increase from 2007. According to the Philippine Central Bank, remittances from Saudi Arabia had the highest year-on-year growth rate at 21.5 percent (\$1.4 billion total) and money from the UAE also experienced double-digit growth amounting to \$621 million. The corridors from Qatar and Kuwait saw declines in money sent to the Philippines.

In Georgia, remittances grew by 24 percent in 2008 to reach \$303 million. The 2008 figure is over double the 2006 figure of \$149 million in remittances.

	TABLE 2: BANK OF MEXICO QUARTERLY REMITTANCE STATISTICS (IN MILLIONS OF \$)											
	2006				2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Data from Nov 08	5,346.0	6,428.34	6,175.6	5,792.3	5,508.4	6,350.9	6,339.0	5,771.3	5,319.67	6,281.1	5,924.9	N/A
Data from Jan 09	5,734.3	6,947.6	6,666.9	6,218.1	5,915.9	6,898.4	6,967.0	6,294.6	5,763.2	6,823.9	6,397.5	6,160.0

Source: Central banks of Mexico

Money transfers from Russia to the Gorno-Badakhshan region of Tajikistan plunged by 50 percent during the last quarter of 2008 according to the Tajik National Bank. More than 24,000 Tajik migrants are currently working in Russia, but the financial crisis is producing impacts on their remitting capacity.

### 2009 Remittance Projections and Early Results

The global economic recession will undoubtedly affect remittance flows in 2009. According to the World Bank, remittance flows worldwide are expected to decrease in 2009, by between 5 and 8 percent in 2009. For money transfers to Latin America and the Caribbean, the Inter-American Development Bank expects there will be a decline in 2009 after a decade of growth, but does not give a specific estimate at this time. However, the Inter-American Dialogue estimates a 7 percent decline due to job losses, lower earnings, slower migration, and continued deportations of immigrants from the region. The Institute of International Finance predicts continually dropping net private-capital inflows into emerging economies (\$929 billion in 2007, \$466 billion in 2008, and an expected decline to \$165 billion in 2009). *See Publications.*

Numerous countries have already seen steep decline in remittance flows in January 2009 in year-on-year comparison with 2008. One such country is Armenia, which reports a 28 percent year-on-year drop in remittance levels between January 2009 and January 2008, with a 25 percent drop in the number of transfers specifically from Russia. In January 2009, the Tajik National Bank reported that remittances to Tajikistan have fallen by 50 percent in three months.

Not all countries predict to see their remittances decline in 2009, however. In the six months from August 2008 to February 2009, the Ethiopian National Bank received \$389 million in remittances from nationals living abroad. This represents a 19 percent increase from the same period during the previous year. The bank expects to receive \$1 billion in 2009. Predictions in Guatemala for 2009 remain flat. Remittance levels in Ghana have shown strong growth through the end of the year, rather than a decrease, as was expected.

### Money Transfer Operator (MTO) Trends

*Western Union* reported a slight drop in fourth quarter revenue at \$1.3 billion, a 1 percent decline, although its global revenue for all of 2008 grew by 8 percent to \$5.3 billion. The company also announced an agreement to acquire the money transfer business of Killorglin, Ireland-based FEXCO and surrender its stake in the non-money transfer business of FEXCO. The deal, which is expected to end in the first half of 2009, will result in a net cash

payment of \$159.5 million.

*EuroNet Worldwide, Inc.* recorded slightly over \$1 billion in revenues for all of 2008, up by 16 percent from 2007. The company's fourth quarter revenues were \$255.7 million. Its money transfer revenues in the fourth quarter increased by 14 percent from 2007 numbers. For the full year, money transfer revenues increased by 9 percent and transactions by 5 percent. A 2008 cross-border initiative cut into operating income and resulted in only a 6 percent increase year-on-year, but is expected to produce higher revenues in coming years.

In 2008, *UNISStream's* total transactions grew by 33 percent to total \$4.91 billion. The number of transactions also grew to 5.55 million in 2008. Overall, the company has witnessed higher growth rates than CIS market averages, with "unconditional growth in all corridors," according to UNISStream experts. UNISStream has seen particular growth in Central Asia in 2008: its transactions in Uzbekistan grew by 88 percent to \$787 million; in Tajikistan, transactions grew by 58 percent to \$694 million; and in Kyrgyzstan, transactions grew by 41 percent to \$586 million.

*MoneyGram International* announced an 18 percent increase in money transfer revenue for all of 2008 to \$1 billion, which represents an improvement on the World Bank's 6 percent estimated growth. In the fourth quarter, money transfer revenues increased by 6 percent from \$234 million in 2007 to \$249 million in 2008. Growth in 2008, and especially in the fourth quarter, was largely attributed to the agent network expansion of more than 33,000 new locations. One of these agents includes M. Lhuillier Financial Services, Inc. which has partnered with MoneyGram International to allow Filipino workers abroad to transfer money in either dollars or in Philippine pesos.

### Regulatory Issues Around the World

**The International Monetary Fund (IMF) assesses Mexican regulations.** At the end of 2008, the IMF finished its assessment of Mexico's implementation of the Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) agreements. Most notably, the IMF recommends that Mexico keep better records on both money value transfer services and designated non-financial businesses and professions (DNFBPs) as required by Recommendation 12 of the Financial Action Task Force (FATF) on Money Laundering. Additionally, authorities were instructed to lower the threshold for consumer due diligence on occasional wire transfers from \$3,000 to \$2,000 or lower.

**Partial liberalization of Chinese postal services will allow postal money transfers between mainland China and Taiwan.** More than 2,000 mainland post offices will offer outward remittances and more than 20,000 persons are expected to receive money from Taiwan. Cross-straits postal remittances have been available since December 2008, but only for transfers from Taiwan. According to media in Taiwan, all remittance transactions will be made in American dollars with each transfer limited to \$30,000. These remittance transfers are part of a broader opening up of postal service involving letters, parcels and express deliveries.

**Japanese remittance marketplace.** The Financial Services Agency in Japan plans to submit a bill to the current session of the Parliament to allow non-bank businesses to offer remittance and other money transfer services, starting in fiscal year 2009. The deregulation move is expected to stimulate competition and create safer, less costly, and more user-friendly money transfer services. At present, only banks are allowed to engage in exchange transactions.

## International Cooperation and New Projects

**The G8 Global Remittances Working Group moves forward.** With the World Bank in charge of coordination, the global working group looks to improve data collection, deepen understanding about remittances as it relates to migration and development, strengthen payment and market infrastructure, and explore new innovative remittance-based financial products. The creation of the group recognizes the importance of remittances for development and provides a forum for remittances on the global development agenda. The working group will be guided by a small Secretariat and an International Advisory Committee (IAC) comprised of internationally recognized experts in the field of remittances and payment systems. *See story in August 2008 issue.*

**Money Transfer International (MTI) is a new international trade association.** The mission of MTI includes the promotion and development of the global remittance industry. It aims to develop best practices and standards in the industry, represent remittance consumer needs, monitor and document industry trends and developments, represent the industry in the media, and foster a greater understanding of the informal money transfer market. *See events.*

**MTOs make significant developments in transfers through kiosks.** *MoneyGram* now offers money transfers and last-minute bill payments through Cardtronics's Vcom kiosks. About 2,250 kiosks are installed in 7-Elevens throughout the United States. The move is

predicted to attract more business from current customers, rather than attract new customers. *Nexxo Financial* plans to place over 2,000 Nexxo "Cajero" kiosks in Arizona, California, and Texas by the end of 2009. These kiosks allow up to \$1,000 to be sent to more than 21,000 bank branches throughout Latin America. The company also completed the transformation of *Aval Envios*, from a traditional remittance company to a self-serve model that features the Nexxo Cajeros.

## **Financing Facility for Remittances (FFR) continues to provide grant financing for nonprofit organizations.**

The International Fund for Agricultural Development (IFAD) announced its 2009 call for proposals directed at improving remittance transmission and access to remittance services in rural areas, linking remittances to financial services and products in rural areas, and developing innovative and productive rural investment channels and opportunities for migrants and community-based organizations. With a \$15 million multidonor fund, the facility seeks to focus on the rural poor in Africa, Asia, Europe, the Near East, and Latin America and the Caribbean through the financing of projects of up to \$250,000, to be implemented within a two-year period. Deadline for concept proposal is May 29, 2009. For more information, see [www.ifad.org/ruralfinance/remittance/index.htm](http://www.ifad.org/ruralfinance/remittance/index.htm).

## **Partnerships with the Diaspora**

In *Sierra Leone*, the Diaspora Support Project, under the direction of the UNDP Sierra Leone Public Sector Reform program and the new Office of Diaspora Affairs in the Office of the President, has been created to engage the diaspora to align their remittances with the country's development priorities. The project recognizes the impact of the 1.5 million Sierra Leoneans abroad on development in the country, as nearly half of Sierra Leone's professionals live abroad. The initiative aims to help streamline the assistance of expatriates in the country's development efforts through a series of activities, tools, and public relation campaigns.

The *Rwandan* Diaspora Mutual Fund (RDMF) was established in March 2009 through the collaboration of the Rwandan diaspora and the National Bank of Rwanda (BNR). The initiative aims to pool funds from Rwandan expatriates to mobilize and empower their investment in their home country as a way to use remittances to promote national development. The fund works to improve the finances of the diaspora while simultaneously improving the socio-economic development of Rwanda. The BNR, along with the Capital Markets Advisory Council, will provide the necessary support for the implementation of the fund which will initially invest in Treasury Bonds

guaranteed by the BNR before transitioning to invest in higher-risk corporate bonds and stocks with the accrued interest.

## Mobile Remittance Schemes

### **Forecast on mobile remittances and industry updates.**

Juniper Research Ltd. cut its forecast for mobile money transfers, largely due to the global financial crisis. The company reduced its estimates by 50 percent to \$73 billion in mobile transfers in 2011. Moreover, Royal Bank, Belgacom International Carrier Services, and Visa Inc. received the GSM Association's mobile remittance endorsement in February.

### **New Mobile Remittance Products Worldwide**

*ClearTalk Wireless*, a wireless service provider, will utilize aKos Technology Corporation's transaction management system to provide money transfers from the United States to Latin America in partnership with MTO *Viamericas*. This product will not require a financial instrument for either the sender or recipient and is set to begin operating in late April 2009. Further, aKos Technology Corporation is a finalist for the CTIA Emerging Technology Award in Mobile Payments.

*M-Via*, a mobile money remittance company, launched a mobile remittance service allowing users to make international money transfers via mobile phone from the U.S. to Mexico, South America, and the Philippines using a concierge-type service. Users will be able to add to their prepaid accounts and pay their bills.

*Safaricom*, Kenya's leading mobile operator, announced in December 2008 that it would be extending an international mobile remittance program to the United Kingdom in tandem with Vodaphone and Western Union.

*ANZ*, a mobile phone money-transfer service by Australia and New Zealand Banking Group, launched WING a mobile banking service to transfer funds and make payments through mobile phones in Cambodia.

UK-based *Mi-Pay* and Kuwait-based *Iys* developed a mobile money transfer service platform called Saraf-Mobile that will allow companies and individuals to make payments and send remittances through their mobile phones. The new platform is set for roll-out in Sudan with plans for future expansion to 22 countries in the Middle East and North Africa.

*Sybase* acquired Paybox Solutions AG, a prominent mobile payment solutions company, in order to expand Sybase's mobile infrastructure solutions to include mobile payments. Sybase will now provide its customers a series

of mobile payment services, from person-to-person remittances to bill paying and top-up mobile airtime.

The *Philippine National Bank* (PNB) has partnered with *Smart Communications* to offer remittance and mobile banking services for Filipinos abroad.

## Remittances and Financial Intermediation

**Prepaid remittance cards in Peru.** NovoPayment, Inc., Latin America's leading prepaid card service provider and program manager will partner with Interbank Group, one of Peru's largest and most innovative corporations, to develop prepaid card programming called Tebca Peru. Expecting to issue over 200,000 cards within the first year, Tebca Peru hopes to eventually provide prepaid EBT and food vouchers, general-purpose reloadable cards, cash management and remittances products.

### **MTN Uganda builds partnership with Stanbic Bank Uganda to allow mobile remittances countrywide.**

MTN partnered with Stanbic Bank to manage its mobile money accounts to allow users to transfer money up to nearly €400. MTN's entry into the money transfer business follows closely after the creation of a very similar money transfer initiative, Zap, by Zain in Kenya and Tanzania.

### **Bank of Baroda introduces money transfer service to India.**

The Bank of Baroda has introduced the service "Rapid Fund to India" to enable Indians working in Tanzania to send money home. Through this service, they will be able to send instant money transfers through interconnected branches of the bank within 24 hours. The bank has a network of over 2,800 branches and offices in India and more than 1,000 ATMs and 17 branches of subsidiaries in Botswana, Guyana, Kenya, Tanzania, and Uganda, and a joint-venture bank in Zambia.

### **Partnership to improve France-Sri Lankan remittance links.**

Seylan Bank, with 114 banking centers in Sri Lanka, entered into an agreement with Banque D'Escompte, which has 17,000 locations in France arranged through the postal system, in order to offer remittance services for the Sri Lankan diaspora living in France. The Banque D'Escompte will issue regular remitters a "Money Transfer Card" containing the details of the remitters and of beneficiaries to enable their fund transfers through ATMs located at their branches.

**The National Council of La Raza** has developed an institution for the financially underserved and recently opened its first branch in Denver, Colorado. This branch, called Más a Ti, is the first of many. It was conceived with

\$450,000 of grants from JPMorgan Chase & Co, Allstate Insurance Co., and Freddie Mac back in 2005 and has since gained the partnership of Del Norte Neighborhood Development Corp. With financial tools such as homebuyer counseling, tax help, and a budgeting class, account holders will be given access to money services including check cashing, remittances, bill payment, and money orders. Más a Ti charges 1-1.5 percent for check-cashing while typically this would cost about 20 percent more.

**AUXFAM implements UMVA banking solution in Rwanda.** The Dutch organization AUXFAM, which aids micro payments on the internet to reduce transaction costs, is launching the UMVA banking solution, a transaction system especially developed for small banks and cooperatives to help connect migrants with electronic banking products. UMVA is being piloted between the Netherlands and Rwanda by focusing on small transfers over the internet at no cost (with a €1 membership fee), delivering computer and internet access, and training migrants and people in rural communities in the country of origin.

## Online Resources on Remittances

*Price Comparison Website.* Developed by DMA for AusAID, NZAID, and the World Bank, the website provides regularly updated and detailed price comparison information for remitters from Australia and New Zealand to eight key South Pacific Island nations. The site, [www.sendmoneypacific.org](http://www.sendmoneypacific.org), is similar to others that have effectively reduced the cost of remittances in other markets. The site also features an interactive map, which helps inform users about the various options (costs, transfer methods, speed of transfer, and exchange rates) for sending money back home. Transfers to the Pacific Islands are among the most expensive in the world, and this site is expected to create transparency that will drop those costs.

*Website on Microinsurance information.* The Red de Portales Web of Microfinance Organizations in Latin America inaugurates its new webpage on microinsurance information at [www.microseguros.info](http://www.microseguros.info).

*Moneybookers.com* is a new site dedicated to instant and safe online payments with no intermediaries or institutions.

### RESEARCH NOTE

## Good Practices Guidelines for International Remittances Surveys

*Bryanna Millis (Development Specialist, DAI)*

This note draws from a more extensive briefing offering guidelines and observations about survey data collection on remittances and how this data informs thinking on migration and development policy making.<sup>2</sup> Elements of that report are summarized here, focusing on four remittances survey designs and the broader policy questions that they can answer.

### Remittances Survey Design

Remittances surveys focus on several key issues: determinants of remittances sending; the impacts of remittances on poverty; the ways in which migrant households use remittances; methods of sending; and the differences between how domestic and international remittances impact poverty and development. Categories of survey questions may include: demographics of the individual; transfer methods and costs; financial characteristics of the individual; transnational issues related to association with the home country; use of, or willingness to use, alternative payment methods; issues related to gender; and living conditions.

There are two categories and four general types of remittances surveys that researchers can choose from in devising the most suitable strategy to obtain remittances information. These approaches differ in terms of the unit of analysis, the kinds of information that can be obtained, the resources necessary to implement them, and in some cases, in terms of philosophical approach.

#### *Household Surveys*

Household surveys are the method of choice for institutions interested in: 1) obtaining information about global remittances flows to a country (where official Central Bank data needs to be cross-referenced with estimates of informal flows); and/or 2) analyzing correlations and potential causality links between remittances and other socio-economic indicators, in other words, the effect of remittances on levels of poverty, education, food security, etc. Household surveys use a random representative sample population, with the sample frame often identified through a multistage stratified area probability sample design based on national census data.

Key considerations with household surveys include the need to carefully define the unit of analysis, given that conceptions of who is in a “household” may differ and obtaining access to all members of a household may be a significant challenge. Furthermore, it may be challenging to obtain a representative sample for household surveys if a recent or complete census is unavailable, or if undocumented workers, who would not appear in a

<sup>2</sup> Bryanna Millis, Manuel Orozco, and Zaki Raheem. [Mining Remittance Data: Practical Considerations on Survey Design and Administration](#). USAID microREPORT #119. September 2008.

census, are expected to be an important part of the population. In general, household surveys are costly and time consuming, which is why remittances questions are often included as part of a broader data gathering initiative.

The extended household survey is characterized by extensive interviews with all members of the household within the randomly chosen sample set, or an interview with one member chosen to speak for the household. This type of survey allows for the most in-depth understanding of a household's livelihood activities and, if all members are surveyed, may provide the most accurate estimate of expenditures and remittances. It follows then that these surveys are among the most resource-intensive to conduct, in terms of time and cost to the surveying institution and time for the respondents. Furthermore, due to the large number of questions about socio-economic conditions, the depth of information on remittances may suffer.

Head of household, or non-extended household, surveys focus on the perceptions of one individual, identified by gender, seniority, or role as the main provider. Since accessing this individual may be difficult, another member of the household may speak for them, or surveyors may need to return to the household multiple times. This type of survey is generally somewhat less extensive than the extended household survey so it may be possible to focus on remittance-related questions.

#### *Targeted Individual Surveys*

Targeted Individual Surveys are of most interest to Money Transfer Organizations (MTO) and development institutions that need specific information in order to: 1) improve their provision of products or services, or 2) identify specific issues related to financial and technological products. Using the individual as the unit of analysis, this kind of survey requires less planning to reach respondents and focuses on known remittance senders or recipients. Individual surveys may cover similar questions as household surveys, but with a much greater depth of information gathered about trends in remittances. Individual surveys do not lead to statistically significant data on the size of remittances flows, but may be significantly less costly and time intensive.

The market-based or street-based survey uses cluster and intercept sampling to identify probable locations where remittance senders and/or receivers can be found. Intercept sampling complements cluster sampling by randomly choosing participants within a cluster to be part of the survey. Targeted, street-based surveys take place in a section of a country—a city or neighborhood—where migrants reside, so there will be a higher probability of finding subjects who send or receive remittances when

sampling individuals on the street.

Point of presence surveys target individuals at the location where they are either sending or receiving remittances, such as an MTO outlet, or through individual or focus-group settings in locations where migrants work or families of remitters gather. While the results of these surveys cannot be extrapolated to provide broad national trends, such as annual cross-border flows, this design allows for cost-effective targeted research with respondents who are known to use remittances services.

#### **Evaluating Policy Options**

Obtaining accurate data on the volume of migrant remittances flows is notoriously difficult as many remittances transfers still occur informally. Even when funds are transferred through official channels—such as bank accounts, the internet, paid cards or phones—the mechanisms for measuring these flows are weak. However, due to the large volumes of remittance transfers, and financial implications for senders and recipients, donors and policymakers are interested in obtaining information on the size of flows as well as the ways in which these funds are transferred and used.

Mechanisms for sending have important implications for the cost to senders; for the degree to which both senders and recipients are integrated into formal financial systems; and for the opportunities offered by new technologies to lower costs and leapfrog challenges associated with accessing banks and microfinance institutions. Information on the ways in which remittances are used by different communities further enables policymakers to support the development of financial products and other mechanisms to alleviate poverty.

The results of remittances surveys also have policy implications for governments and agencies supporting an enabling environment for low cost efficient flows. Increases in formal flows can be supported by policies governing:

*The competitive environment.* A supportive environment for remittances may be missing at the national government level in many countries, either because leaders are not aware of the economic impacts (particularly if transfers are largely informal) or because they do not have the information or the tools necessary to assess and catalyze the impact of remittances in the economy at large.

*Improved integration of remittances senders and recipients in the financial system.* Financial institutions in many countries remain insufficiently aware of the potential of remittances for integrating new customers into the formal banking system—with benefits to both. The development

of new products specific to the needs of remittance senders and recipients—many of whom have no other interaction with banks or MFIs—can draw longer term customers who can benefit from the remittances they are able to save or invest.

*New technologies that facilitate transfers.* Technologies such as mobile banking and card-based services are playing larger and larger roles in the flow of remittances. Individuals and communities who do not have regular access to traditional MFIs or landlines are increasingly able to receive funds and manage finances using mobile phones, or to purchase goods and services using pre-paid or refillable payment cards.

## Conclusions

Researchers and others planning remittances surveys must balance the level of detail required with the time and cost of survey administration. The inclusion of questions related to remittances on large national household surveys will result in high level information on remittances patterns, but smaller targeted surveys using the other methods described here—with either the household or individual as the unit of analysis—will further enable institutions to gain deep insights into the ways in which remittances impact the lives of migrants and recipients back home.§

GUEST ARTICLE

## Standards on the Remittances Industry

*Manuel Orozco (Senior Associate and Director of Remittances and Development, Inter-American Dialogue), Betsy Cavendish (Executive Director, Appleseed), and Tamara Razin (Senior Economist, International Monetary Fund).*

With greater competition and established regulations, the remittance community is now entering a norm-setting stage, seeking to renew or establish standards on behavior applied to money transfers. International and domestic norms and standards are put forward by civil society, governments, multilateral organizations, and private sector groups. The World Bank, for example, is seeking to introduce codes of conduct on money transfers. In 2006, the Inter-American Dialogue introduced a scorecard on remittance transfers that served as a guide to the issues to debate beyond transaction cost. Today, organizations such as Appleseed have focused on what it calls Fair Exchange on money transfers, and the International Monetary Fund (IMF) has refined and adopted new guidelines on the measure of remittance transfers that update and look

into current migration realities. This guest articles provide insights into these emerging trends to establish standards.

Appleseed, a non-profit network of 16 public interest justice centers in the United States and Mexico, established the Fair Exchange project in an effort to increase pricing transparency in the remittance market. Specifically, the project examines the need to adopt, as a matter of market policy, pre-transaction disclosures of fees, exchange rates, and terms related to money transfers.

The latest of three reports produced under this initiative, [Remittance Transparency: Strengthening Business, Building Community](#), describes how Appleseed partnered with five remittance service providers to promote improved market transparency, collaboratively developing and piloting a disclosure program. The report reveals significant consumer demand for such disclosures.

The Fair Exchange initiative began in 2005 with a detailed market survey documenting problems consumers faced in accessing consistent and comparable remittance pricing and service information. The findings revealed three key consumer challenges: inconsistent foreign exchange rates that made it cumbersome for consumers to compare prices and find the best deal; unpredictable pre-transaction pricing information, with some service providers refusing to provide cost and exchange rate information over the telephone; and differing disclosure requirements from state to state.<sup>3</sup>

To promote market-based reform, Appleseed convened a committee of industry, regulatory, and community stakeholders to assess strategies for improving transparency. After focus-group testing, a disclosure template was developed with the group's input including pricing, exchange rate, service and sample transaction information. Five members of the committee (three banks and two Money Service Businesses) pilot tested the disclosure template—posting it daily at store and branch locations. Appleseed's findings are based on 742 customer surveys<sup>4</sup> and remittance provider interviews assessing the pilot.

The findings of the survey confirm that improved transparency and disclosures increase market efficiency and benefit consumers, creating a win-win scenario for consumers and businesses that offer competitive services. Over a third (37 percent) of the customer respondents<sup>5</sup> indicated checking the posted disclosure at the location

3 *Creating a Fair Playing Field for Consumers, Summary Report.* Appleseed. 2006. p.6.

4 The study is comprised solely of remitters to Ecuador, Guatemala and Mexico.

5 More than 80 percent of respondents reported an annual income of \$30,000 or less, even as the majority of these customers sent remittances once per month, at a median amount of \$350.

and of those, 78 percent found it helpful and 86 percent wanted to see the disclosure in all store locations. Bank customers were more likely than MSB customers to check the disclosure, find it helpful, prioritize low cost, and shop around for a remittance service. And, those sending money frequently were more likely to prioritize pricing.

The piloting businesses saw merits in establishing disclosure standards. Costs to implement the pilot were manageable, while the major barrier was verifying disclosure posting over a broad network of locations or agents. Nine of the 15 front-line service providers interviewed found the disclosure information helpful, citing benefits of building trust and saving time by having fewer customer questions.

Appleseed's findings provide compelling evidence that transparency benefits both businesses and consumers. Providing disclosures engenders greater consumer confidence in a service and could lead to a greater share of a multibillion-dollar market. Meanwhile, accessible comparison shopping can help remittance consumers make the best product choice for their needs, and transparency promotes a basic standard of fairness in the market.

Offering improved pre-transaction remittance disclosures meets a consumer need, supports competition, benefits positive market players, and brings the remittance market in line with disclosure requirements for other small dollar financial services. The challenge ahead is to create and adopt disclosure standards and practices to move from pilot to scale.

A near-final manual on the compilation of remittances data, "[International Transactions in Remittances: Guide for Compilers and Users \(RCG\)](#)," recently launched by the IMF, will be translated into Arabic, Chinese, French, Russian, and Spanish. The RCG was drafted by a team consisting of the IMF, the Organization for Economic Cooperation and Development, the Statistical Office of the European Commission, the World Bank, and representatives from national statistical offices and central banks from economies throughout the world.

The purpose of the RCG is to promote lasting improvements in remittances data by providing the definitions and concepts related to remittances in the balance of payments framework. The RCG identifies the main remittances compilation methods currently being used by compilers, including methods that are based on transactions data, direct reporting by money transfer operators, household surveys, and various approaches using models. Strengths and weaknesses of each method are discussed in detail. The guide also discusses alternative

approaches and data sources for measuring remittances, and it provides guidance on the development of a statistical program for improving remittances data.

The work on the RCG was prompted by concerns about the quality of the global remittance data. In response to a request by the G-8 Heads of State, an international meeting of data users and compilers was held in January 2005, to agree on a work program to improve remittances data. The meeting recognized that improvements in remittances concepts could be best achieved using the balance of payments framework. Also the meeting proposed the creation of a "city group" of experienced compilers (later named the Luxembourg Group on Remittances) to identify a set of best practices for remittances data and prepare a compilation guide.

The RCG is entirely consistent with the new standards for measuring balance of payments transactions, as contained in the sixth edition of the "[Balance of Payments and International Investment Position Manual \(BPM6\)](#)." BPM6 identifies standard components and provides supplementary items to allow compilation of remittance measurements. Two measures in the balance of payments framework that substantially relate to remittances are "compensation of employees" and "personal transfers" ("personal transfers" replaces an item known as "workers' remittances" in the previous manual). Also, BPM6 defines three supplementary, cumulative measures related to remittances: personal remittances, total remittances, and total remittances and transfers to nonprofit institutions serving households. Compilation of these items is encouraged but depends on the needs of the compiling economy.

The RCG is the first manual providing detailed compilation guidance for remittances and is also the first compilation guide based on concepts set out in BPM6. It addresses the need for practical compilation guidance to improve the quality of estimates. Although the RCG is primarily aimed at those whose task is to compile and disseminate data on remittances, it may also be useful for other users who wish to understand remittances data. It was written for professional use, but care was taken to make it accessible to non-specialists. §

## COUNTRY PROFILE: EGYPT<sup>1</sup>

**Population:** 75,466,539 (2007 est.).<sup>2</sup> Population growth currently stands at 1.7 percent with a birthrate of 22.1 and a life expectancy of 71.<sup>3</sup> The adult literacy rate is 71 percent.<sup>4</sup> Egypt is the most populous country among the Arab states, and it is the second most populous in Africa.<sup>5</sup> Over 95 percent of the population lives on about five percent of the land area of the country, particularly along the Nile. Moreover, there is a continuing trend of urban migration as people search for employment and higher standards of living.<sup>6</sup>

**History of Migration:** Internal and international migration has always been an important factor in Egyptian history. Migration flows in Egypt since the 1970s have largely followed the oil boom of its neighboring countries, along with population growth, economic difficulties, war, and changing government policies toward migration. Until the 1950s, immigrants in Egypt vastly outnumbered emigrants. In 1970, only 70,000 Egyptians left the country in search of employment. By 1976, shortly after the government lifted all restrictions on labor migration, an estimated 1.4 million Egyptians – mostly single, uneducated men – emigrated to Libya, Saudi Arabia, Kuwait and the United Arab Emirates to work on development projects at construction sites. The rise in emigration continued into the early 1980s, reaching an estimated 3.3 million Egyptians employed abroad in 1983. The onset of the Iran-Iraq War, however, led to a decrease in oil prices, along with a diminished demand for Egyptian workers abroad. By 1988, a significant number of Egyptian emigrants returned to Egypt as contracts abroad continued to decline. Over the past two decades, emigration patterns have decreased slightly from 2.8 million in 1996 to 2.4 million in 2005. Amidst persistently high unemployment and overcrowded urban centers, migration continues to be seen as a pivotal strategy to improve living conditions or survive. In recent years, immigration has also risen due to the increasing volume of forced migrants. Egypt and its neighboring countries are hosts to the largest refugee population in the world. Nevertheless, the number of immigrants in Egypt only numbered 166,000 in 2005.

**Host Countries:** According to the Development Research Centre on Migration, in 2007 Egypt had a total of 2,174,000 emigrants. The large majority of Egyptian emigrants live in nearby countries, particularly Saudi Arabia (1,195,000), Libya (114,000), Oman (33,000), and the West Bank and Gaza. A significant emigrant population also lives in the European Union (198,000), the United States (123,000), Canada (37,000) and Australia (33,000). These figures reflect traditional migration causes of job opportunities, proximity, and existing migrant networks, but also reflect political considerations, particularly visa regulations. For well over a decade, Egyptians have been able to enter Libyan territories without the need to show a valid visa or passport. In effect, migration to Libya has been seen as almost equivalent to internal migration. As for migration to Egypt, the largest groups of immigrants come from Gaza and the West Bank, the European Union, and Sudan, reflecting the recent waves of forced migrations and other migrants seeking asylum.

**Estimated Remittances Flows:** According to the World Bank, remittance flows to Egypt rose from \$5.33 billion in 2006 to \$5.87 billion in 2007. Egypt edged out Morocco (\$5.7 billion) and Lebanon (\$5.5 billion) as the highest recipient country of remittances in the Middle East/North Africa (MENA) region. Egypt also ranked sixth among the top remittance recipients of Middle Income Countries. As early as 1979, remittances to Egypt reached \$2 billion, a sum equivalent to the country's combined earnings



from cotton exports, Suez Canal transit fees, and tourism.<sup>7</sup> By 1988, despite the wave of Egyptians returning home due to diminished job opportunities abroad, remittances still amounted to \$3.5 billion.

**Recipient Profile:**<sup>8</sup> Based on the ABA survey (2008), the average remittance recipient in Egypt receives \$644 2.8 times a year (\$1,803 annually). The average length of time a household receives remittances is four years. The average household income, excluding remittances, is \$2,484. The majority of respondents (51 percent) have an average of almost two family members or friends living abroad. Almost half of the surveyed families (48 percent) had purchased housing, an automobile, or other durable goods, while a much smaller share (15 percent) had purchased animals. Nearly half (47 percent) of the families purchase merchandise for a business.

Over one-fifth of families (21 percent) had a personal savings account. More than two-thirds of families (68 percent) claimed to have some type of savings, with \$958 in savings on average. Given extra income, more than a third of families (37 percent) would save some of the money after paying for necessities, while over a quarter (29 percent) would invest in a business. In terms of home finances, Egyptian households currently have loans, credit, or make payments to pay for businesses (41 percent), followed by payments on appliances (32 percent), education (24 percent), vehicles (9 percent), health (7 percent), insurance (6 percent), and housing (5 percent). Only 3 percent of families had health insurance. In emergency situations such as an illness or death, 7 percent of respondents stated they turn to family abroad for help, compared to 53 percent who would turn to family in the country, 20 percent to a credit union, 17 percent to a lender, 13 percent to the community, and 3 percent to a religious center. §

1 Map: [http://www.lib.utexas.edu/maps/africa/egypt\\_pol97.jpg](http://www.lib.utexas.edu/maps/africa/egypt_pol97.jpg)

2 2007 data. WBDI, 2008.

3 2007 data. [World Bank Data](#)

4 2007 data. [World Bank Data](#)

5 March 2008. U.S. Dept. of State

6 March 2008. [U.S. Dept. of State](#)

7 [Development Research Center on Migration, Globalization and Poverty](#), accessed March 2009.

8 Data for this section was collected by the Alexandria Business Association (ABA) in Egypt in 2008 and refers to a sample of its clients and the population surrounding the branches of the microfinance institution.

## Events (March 2009 – July 2009)

- March 5, 2009. Fifth Iberoamerican Meeting on Remittances: Challenges and Uncertainties about Remittances. Madrid, Spain. <http://remesas.org/seminario7.html>
- March 9, 2009. Second Annual Money Transfer Dubai Conference. Dubai. <http://mtd2009.iamtn.org/>
- March 9-13, 2009. International Remittances for Economic Development. West African Institute for Financial and Economic Management (WAIFEM). <http://www.waifem.org/>
- March 19, 2009. Federal Deposit Insurance Corporation (FDIC) Economic Inclusion Advisory Committee Meeting. Miami, Florida. <http://www.fdic.gov/about/comein/meetingMar1908.html>
- March 21, 2009. The Impact of the Global Economic Crisis on Migrants' Remittances and its Implications for Development. Utrecht, The Netherlands. [http://www.sms-vluchtelingen.nl/Conference\\_Invitation.pdf](http://www.sms-vluchtelingen.nl/Conference_Invitation.pdf)
- March 26, 2009. Mobile and Card Remittances 2009. Brussels, Belgium. [www.mobilecardremittances.com](http://www.mobilecardremittances.com)
- April 6-7, 2009. Money Transfer International (MTI), Inauguration Forum: Embracing the Challenge - Understanding the Global Dynamics. London, England. <http://www.moneytransferinternational.org/?pageID=13&type=public>
- April 7-10, 2009. Redefining the Landscape of Payment Systems. Third Annual Global Conference for Payment Systems Specialists. Cape Town, South Africa. <http://tiny.cc/vdcwO>
- April 15, 2009. Are Remittances Still Resilient? Exploring the Impact of the Global Economic Downturn on Migration and Remittances. USAID Microfinance Learning and Innovations After Hours Seminar Series. Washington, DC. [www.microlinks.org/afterhours](http://www.microlinks.org/afterhours)
- April 23, 2009. New Stakeholders, New Solutions? Addressing Global Problems in an Age of Emerging Powers. The 2009 Carnegie Junior Fellow Conference. Washington, D.C. <http://carnegieendowment.org>
- April 26-29, 2009. Annual Meeting of the Bankers Association for Finance and Trade (BAFT). Laguna Niguel, California. [http://www.baft.org/jsp/list\\_events.jsp?s=conferences](http://www.baft.org/jsp/list_events.jsp?s=conferences)
- April 30, 2009. Call for Papers: Proposal Deadline for World Bank International Conference on Diaspora for Development, July 13-14, 2009. Washington, D.C. <http://peoplemove.worldbank.org/en/content/call-for-papers-international-conference-on-diaspora-for-development>
- May 14-15, 2009. Defining the State-of-the-Art on Remittances and Return Conference. Maastricht, The Netherlands. <http://www.sussex.ac.uk/migration/1-2-9.html>
- May 15-17, 2009. Sixth Annual Rwanda Convention Association - Diaspora: Educating the Business Minds Today. Montreal, Canada. [www.rwandaconvention.org](http://www.rwandaconvention.org)

- May 18-19, 2009. International Conference on Immigration, Consumption, and Markets. Lille, France. <http://www.h-net.org/announce/show.cgi?ID=164578>
- May 21, 2009. Event on recent trends in remittances to Latin America and the Caribbean. Inter-American Dialogue. Washington, DC. <http://www.thedialogue.org/page.cfm?pageID=80>
- May 29, 2009. Call for Proposals: Deadline for Online Application of Concept Proposals. Promoting Innovative Remittance Systems and Investment Channels for Migrants. International Fund for Agricultural Development. Winners will be selected on September 24, 2009. [www.ifad.org/remittances](http://www.ifad.org/remittances)
- June 2-4, 2009. First European Research Conference on Microfinance. Centre for European Research in Microfinance (CERMI). Brussels, Belgium. Email: [cermi@ulb.ac.be](mailto:cermi@ulb.ac.be) <http://www.microfinconf.eu/>
- June 30 - July 1, 2009. International Money Transfer & Migrant Remittances Summit. International Centre for Business Information. Rome, Italy. <http://icbi-events.com/remittances>
- July 23-26, 2009. Feria Chapina y Gran Pabellón Centroamericano. Los Angeles, California. <http://feriachapina.com.gt/ingles/index.htm>

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Editors: Manuel Orozco and Anna Ferro

Newsletter team: Nancy Castillo (IAD); Tim Cheston (IAD); Landen Romei (IAD); Natalie Greenberg (QED)

Contributors: Bryanna Millis (Development Alternatives, Inc.), Manuel Orozco (IAD), Betsy Cavendish (Appleseed), and Tamara Razin (IMF).

Editorial review group: Kerry Nelson (DFID); Thomas Debass (USAID)

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